

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 (ISO) W
----- 108009

R 022020Z DEC 76

FM AMEMBASSY BUENOS AIRES

TO USDA/FAS WASHDC

INFO SECSTATE WASHDC 8080

UNCLAS BUENOS AIRES 7846

GRAIN & FEED DIV. FCA FROM AGATT

TOFAS 9

E.O. 11652: N/A

SUBJ: WHEAT PRICES, SALES AND PRODUCTION

REF: FASTO 140 SENT TO MONTEVIDEO

1. SUBSTANCE OF REFTEL WAS READ OVER PHONE. PLEASE, SEND
ACTION MESSAGE DIRECTLY TO BUENOS AIRES.

2. NOT FOR PUBLICATION: ACCORDING TO TRADE SOURCES, COOPS SOLD
WHEAT YESTERDAY TO INTERNATIONAL SHIPPER AT (86 PER TON FOB.
QUANTITY WAS 50,000 TONS, BUT DESTINATION UNKNOWN AT
THIS TIME. BASIS SUPPORT PRICE OF 19,000 PESOS PER TON AND
ADDING ON LOADING, STORAGE, ADMINISTRATIVE AND OTHER COST,
FOB VALUE WOULD BE 23,000 PESOS OR \$85.00 TO \$85.50 PER TON
AT CURRENT EXCHANGE RATE OF 258 PESOS - \$1.00. CURRENT MARKET
SPOT PRICE IS 19,650 PESOS BUENOS AIRES FOR DEC AND 20,600
PESOS FOR FEB. HOWEVER, EXCHANGE RATE DECLINED LAST WEEK
FROM 247 TO 258 AND ANY FURTHER DEVALUATION WOULD REDUCE
MINIMUM EXPORT PRICE STILL FURTHER. ALSO, LEVEL TO WHICH PRICE
COULD POTENTIALLY FALL INFLUENCED BY OTHER FACTORS AS WELL.
FOR EXAMPLE, AS PRESSURES BUILD, FARMERS MAY DECIDE TO SELL AT
DISCOUNT FOR CASH PAYMENT RATHER THAN TO NATIONAL GRAIN BOARD
WHICH WILL PROBABLY PAY ON DEFERRED TERMS. HEDGING IN CHICAGO
COULD REDUCE SOME SHIPPERS COSTS. ALSO, IF SHIPPERS RECEIVE A
LETTER OF CREDIT AND THEN DELAY PAYMENT TO PRODUCERS, ACCRUED
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INTEREST ON LETTER OF CREDIT COULD BE USED TO DISCOUNT FOB PRICE.

SOME QUARTERS FEEL THAT CURRENT MINIMUM PRICE PROBABLY AROUND \$80 PER TON, BUT DO NOT FEEL THAT PRESSURES ARE YET SUCH TO SEE PRICES PUSHED THAT LOW.

3. EXPORT RETENTION TAX WAS REDUCED NEARLY TWO WEEKS AGO (SEE BA TOFAS 02) AND PROBABLY HAD LITTLE EFFECT ON SLIDE THAT WAS ALREADY UNDERWAY IN FOB EXPORT PRICES. MAIN EFFECT OF REDUCTION OF RETENTION TAX WAS TO GIVE SUPPORT TO LOCAL PESO PRICES.

4. TRADE REPORTS THAT FOB ARGENTINE PRICE ABOUT \$18 PER TON UNDER FOB GULF. IN CASE OF BRAZIL WHERE ARGENTINE CURRENT FREIGHT IS AROUND \$13 PER TON AND U.S. REPORTED AT \$7, THIS STILL MEANS DISCOUNT OF \$12 PER TON. RECENTLY, ARGENTINE WHEAT SOLD TO BRAZIL AT 92/93 PER TON FOB.

5. AS INDICATED PREVIOUSLY, GOA DOES NOT WANT TO ENTER WHEAT MARKET AND STRONGLY DESIRES THAT WHEAT TRADE REMAINING IN PRIVATE SECTOR. IF GRAIN BOARD HAS TO PURCHASE WHAT IN ORDER TO MAINTAIN SUPPORT PRICE, THIS IS INTERPRETED AS INFLATIONARY TO LOCAL ECONOMY AS MONEY WOULD HAVE TO BE CREATED TO FINANCE THESE PURCHASES. HOWEVER, TRADE SOURCES DOUBT THAT BOARD CAN AVOID AT LEAST SOME SUPPORT PURCHASES. FARM GROUPS ARE STRONGLY SUPPORTING GOVERNMENTS' POSITION AND ARE URGING FARMERS TO HOLD WHEAT AND TO MARKET NO MORE THAN ONE-THIRD OF THEIR PRODUCTION AT CURRENT TIME.

6. WHEAT EXPORT COMMITMENTS ARE PLACED AT 1.8 TO 2.2 MILLION TONS INCLUDING RECENT 500,000 TONS BILATERAL AGREEMENT WITH CHILE. RANGE IN EXPORT COMMITMENTS DUE TO OPTIONAL ORIGIN SALES TO DESTINATION SUCH AS EGYPT. PRESS REPORTED TRADE AGREEMENT WITH USSR THAT INCLUDES ONE MILLION TONS OF WHEAT. MOST QUARTERS LOCALLY INTERPRET THIS AS EXPRESSION OF INTENT AND THINK IT LINKED TO ARGENTINE PURCHASES OF SOVIET INDUSTRIAL GOODS, BUT NOT A FIRM CONTRACT.

7. SOME TRADE QUARTERS PLACE CURRENT EXPORT PROSPECTS AT 4 MILLION TONS WHICH INCLUDES ONE MILLION TONS OF FIRM SALES OF ARGENTINE WHEAT, ONE MILLION TONS OF OPTIONAL ORIGIN SALES THAT WILL BE SWITCHED TO ARGENTINA, INCLUDING SALES TO USSR, 500,000 TO CHILE AND POTENTIAL 1.5 MILLION TONS TO BE SOLD TO BRAZIL AT UNCLASSIFIED

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TENDERS. SOURCES FEEL THAT BRAZIL WILL BE ARGENTINE MARKET THIS YEAR AND EXPECT SALES OF 100,000 TO 200,000 TONS PER MONTH ALTHOUGH ONLY AROUND 200,000 TONS HAVE BEEN SOLD TODATE.

8. MOST TRADE CICLES ESTIMATING 1976-77 WHEAT CROP AT LEAST 12 MILLION TONS AND SOME THINK 13 MILLION TONS NOT OUT OF PICTURE. END NOT FOR PUBLICATION.

9. REFTEL CITED TOFAS 181 AS REF, PLEASE ALSO SEE BUENOS
AIRES TOFAS 02 OF 11/23 WHICH REPORTED ELIMINATION OF EXPORT
RETENTION TAX ON WHEAT AND MONTEVIDEO TOFAS 190 OF 11/9 WHICH
GAVE SUMMARY OF GRAIN SITUATION AND ESTIMATED FORWARD WHEAT SALES
AS OF THAT DATE AT 1.3 MILLION TONS, BUT DID NOT INCLUDE
500,000 TONS AGREEMENT WITH CHILE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, AGRICULTURAL PRODUCTION, SALES, EXPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BUENOS07846
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760447-1111
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761276/aaaacnyh.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: wolfsd
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAY 2004 by hattaycs>; APPROVED <10 AUG 2004 by wolfsd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WHEAT PRICES, SALES AND PRODUCTION
TAGS: EAGR, EPAP, AR
To: USDA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006